

TARIFF ACTION MEMORANDUM

File No.: TA343-13

Date: April 15, 2021

Date Filed: February 26, 2021

45-Day Statutory Deadline: April 12, 2021

Extended Statutory Deadline: April 19, 2021

Utility: Golden Valley Electric Association, Inc.

Description: Quarterly COPA and SFPPR Update

Synopsis of Filing:

Golden Valley Electric Association, Inc. submits its quarterly Cost of Power Adjustment and Small Facility Power Purchase Rate update for the period beginning March 1, 2021.

Tariff Recommendation:

The Commission should approve Tariff Sheet Nos. 39 and 40, filed February 26, 2021 by GVEA with TA343-13, as shown on the attached side-by-side tariff sheets (JD-1). The effective date of the tariff sheets should be March 1, 2021.

Reason(s) for the above-indicated recommendation: See attached memorandum.

Signed: Jed Drolet
Jed Drolet

Title: Utility Tariff Analyst

Commission decision regarding this recommendation:

	<u>Date (if different from 4/15/2021)</u>	<u>I CONCUR</u>	<u>I DO NOT CONCUR</u>	<u>I WILL WRITE A DISSENTING STATEMENT*</u>
Pickett	_____	<u>RMP</u>	_____	_____
Kurber	_____	<u>KKI</u>	_____	_____
Scott	_____	<u>AGS</u> AGS	_____	_____
Sullivan	_____	<u>DS</u> DS	_____	_____
Wilson	_____	<u>JW</u> JW	_____	_____

*If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

STATE OF ALASKA
The Regulatory Commission of Alaska
701 West 8th Ave., Suite 300
Anchorage, Alaska 99501-3469

M E M O R A N D U M

To: Robert M. Pickett, Chairman
Keith Kurber II
Antony Scott
Daniel A. Sullivan
Janis W. Wilson

Date: April 15, 2021

From: Jed Drolet, Utility Tariff Analyst

Subject: TA343-13, Golden Valley Electric Association, Inc.
Quarterly COPA and SFPPR Update

STATEMENT OF CASE

Golden Valley Electric Association, Inc. (GVEA) submits its quarterly Cost of Power Adjustment (COPA) and Small Facility Power Purchase Rate (SFPPR) update for the period beginning March 1, 2021.

RECOMMENDATION

The Commission should approve Tariff Sheet Nos. 39 and 40, filed February 26, 2021, by GVEA with TA343-13, as shown on the attached side-by-side tariff sheets (JD-1). The effective date of the tariff sheets should be March 1, 2021.

BACKGROUND

GVEA is a member-owned cooperative providing electric service to approximately 46,000 customers in the Fairbanks region.¹ GVEA's electric load is met with a combination of energy generated by its own coal² and combustion plants,³ as well as energy purchased

¹ GVEA currently has approximately 39,800 residential customers, 6,500 small commercial customers, and 460 large commercial customers. See tariff advice letter for TA343-13, at page 1.

² Generation from GVEA's Healy 1 and Healy 2 Steam Plants (Healy 1 and Healy 2) incurs four separate expenses: coal, ash disposal, sodium bicarbonate, and fuel used for turbine start-ups. The coal and ash disposal components are provided under an agreement with Usibelli Coal Mine (See Letter Order No. L1400258, issued December 13, 2014 in TA252-13).

³ GVEA's three main combustion generation plants are the North Pole Expansion Plant (NPEP), the North Pole Plant (NPP), and the Fairbanks Zehnder Plant (Zehnder). The fuel is purchased from Petro Star, Inc., and delivered by Big State Logistics, Inc.

from other sources,⁴ and all Commission-approved related costs are recovered through GVEA's COPA surcharge.⁵

GVEA now submits its quarterly COPA and SFPPR rate update for the period beginning March 1, 2021. In accordance with historic Commission practice,⁶ a publication notice was not issued for TA343-13.

ANALYSIS

COPA

Proposed revisions to COPA surcharges are reviewed under 3 AAC 52.504, which requires information supporting entries in the balancing account for the historical period, and support for projections for the future period.⁷

Calculation of GVEA's COPA consists of two parts.⁸ The first part includes a 3-month estimate of kWh sales and fuel and power costs.⁹ The second part includes documentation for the actual balancing account entries for November 2020 through January 2021, and GVEA's estimated balancing account balance for February 28, 2021.¹⁰ GVEA provided actual usage, generation, cost, and sales data for the period of November 2020 through January 2021, including invoices and spreadsheets supporting the balancing account entries. GVEA submitted supporting documentation for the estimates

⁴ GVEA purchases power from (1) Aurora Energy, LLC (See Letter Order No. L1300409, issued August 16, 2013 in TA244-13); (2) Bradley Lake, of which GVEA holds a 16.9% share (under 50-year purchase, transmission and wheeling agreements set to expire in 2037); (3) Chugach Electric Association, Inc. (See Letter Order No. L1300242, issued August 30, 2013 in TA241-13); (4) the Municipality of Anchorage, d/b/a Municipal Light & Power Department (not contracted); (5) the United States Military Ft. Wainwright Army Installation (See GVEA Tariff Sheet Nos. 104-106, Rate Schedule T-4, Energy Imbalance Service); (6) Alaska Environmental Power, LLC and Chena Power, Inc. renewable energy under its Experimental Renewable Resource Purchase (ERRP) program (max. nameplate capacity of 2,000 kilowatts or kW) (See Letter Order No. L1200251, issued April 27, 2012 in TA228-13); (7) Sustainable Natural Alternative Power (SNAP) renewable energy under its program (max. nameplate capacity of 25 kW) from several different participants (See Letter Order No. L1000510, issued December 17, 2010 in TA207-13); (8) Eva Creek Wind facility which provided 6% of GVEA's load requirement associated with TA311-13 (See Exhibit 2 filed with TA311-13); and, (9) Matanuska Electric Association, Inc. (See Letter Order No. L1500361, issued December 21, 2015 in TA264-13). GVEA has not obtained Commission approval to recover the costs associated with Eva Creek through its COPA surcharge, and consequently Eva Creek Wind power purchases are not included in the COPA surcharge calculation.

⁵ See side-by-side Tariff Sheet No. 39, attached as JD-1, section (c)(7). GVEA's base cost of power is currently \$0.00, resulting in all approved fuel and purchased power costs being recovered exclusively through the COPA surcharge. See Order No. U-08-139(7), issued July 30, 2009.

⁶ One reason the Commission forgoes publication notice for COPA filings is 3 AAC 52.504(d) which states "[f]or a COPA filing under (b) of this section, an electric utility is not required to give public notice under AS 42.05.411..." this allows a utility to implement a COPA upon filing, rather than waiting the 45 days specified in AS 42.05.411 to ensure adequate notice to the public of a tariff revision.

⁷ See 3 AAC 52.504(g), *Filing Requirements for Electric Utilities*. This support includes invoices, records, reports, calculations, contracts and any other information the Commission and Staff consider necessary to explain the proposed COPA calculation.

⁸ Historically there was a third part to the calculation, the Fort Knox Credit. This was removed in TA277-13 (see Letter Order No. 1600085, issued February 25, 2016, approving TA277-13).

⁹ GVEA's 3-month projections are developed using its Production Costing Model. See GVEA Tariff Sheet Nos. 38, 38.1 and 39, and COPA support Exhibits 1 through 6.

¹⁰ In 2011, GVEA obtained Commission approval to use an estimated balancing account balance in its COPA calculation. See Letter Order No. L1100162, issued May 16, 2011 (TA216-13).

for the 3-month period beginning March 1, 2021. GVEA also provided support for the estimated February 28, 2021, balancing account balance.

COPA Surcharge Increase (Tariff Sheet No. 39)

As shown on Tariff Sheet No. 39 filed with TA343-13, GVEA proposes a COPA surcharge of \$0.09655/kWh. This represents a \$0.01483/kWh increase from the currently approved COPA surcharge of \$0.08172/kWh.

Table 1 shows the effect of the proposed changes on a sample residential customer billing for 660 kWh usage.

TABLE 1

Sample Customer Billing				
Line	Description	Current Rates	Proposed Rates	Change from Current Rate
1	COPA Surcharge (\$/kWh)	\$ 0.08172	\$ 0.09655	\$ 0.01483
2	660 KWH CUSTOMER BILL			
3	Customer Charge	\$ 22.50	\$ 22.50	-
4	Energy Charge @ \$0.12697/kWh	83.80	83.80	-
5	RCC @ \$0.000654/kWh	0.43	0.43	-
6	COPA Surcharge (\$)	<u>53.94</u>	<u>63.72</u>	<u>9.79</u>
7	Total Customer Bill	<u>\$ 160.67</u>	<u>\$ 170.45</u>	<u>\$ 9.79</u>

Factors that may affect the calculation of GVEA's COPA include the previous period's balancing account balance, generation efficiency, and projected fuel and power costs. Changes in these factors frequently offset each other. Any factor that increases the average cost per kWh sold will put upward pressure on the COPA surcharge and any factor that decreases the average cost per kWh sold will put downward pressure on the surcharge. The proposed increase to GVEA's COPA is driven primarily by:

- (1) An increase in projected fuel and purchased power costs for the period. The projected fuel and purchased power costs increased from \$24,798,849 to \$26,578,606.¹¹ GVEA is projecting an increase in its purchased power costs, higher oil costs (from \$10,685,105 to \$11,667,645), and higher coal costs (from \$6,442,340 to \$7,183,442).¹² The overall effect is an increase in projected costs, which places upward pressure on the COPA surcharge.

¹¹ See side-by-side Tariff Sheet No. 39, attached as JD-1, at section (c)(1)(d).

¹² *Id.*, at sections (c)(1)(a)-(c).

- (2) A decrease in the estimated balancing account balance. The estimated balancing account balance decreased from \$1,877,085 to \$1,720,318.¹³ This decrease in the estimated balancing account balance resulted from an over-collection during December 2020.¹⁴ The decrease in the estimated balancing account balance places downward pressure on the COPA surcharge.
- (3) A decrease in estimated kWh sales for the period. The estimated 3-month kWh sales decreased from 326,438,400 kWh to 293,112,000 kWh.¹⁵ This decrease results in the projected costs¹⁶ being spread over a smaller number of kWh, placing upward pressure on the COPA surcharge.

The increase in estimated costs and increase in estimated sales combine to place upward pressure on the COPA surcharge, which offsets the downward pressure from the decrease in the estimated balancing account balance. The overall result is an increase to GVEA's COPA surcharge.

The revisions proposed in TA343-13 did not include a change in methodology or new cost element, and as such, GVEA implemented the proposed surcharge on March 1, 2021, in accordance with 3 AAC 52.504(b).¹⁷ Staff has reviewed all information and calculations filed in support of TA343-13, and verified that GVEA provided all required information. Staff confirmed that the proposed surcharge was calculated accurately, using GVEA's approved methodology, and that the tariff sheet is correct. Therefore, Staff recommends the Commission approve Tariff Sheet No. 39.

SFPPR Increase (Tariff Sheet No. 40)

GVEA calculates its SFPPR, Schedule No. QF-1, by adding together estimated costs for fuel, variable O&M, and the energy portion of purchased power (minus the costs associated with generation that is not avoided by virtue of purchases from QFs) for the three months projected in GVEA's COPA, and dividing that sum by the estimated kilowatt-hours sold for the same period (less kilowatt-hours sales associated with generation that is not avoided by virtue of purchases from QFs). Table 2 shows the calculation for the current and proposed SFPPR.

¹³ *Id.*, at section (c)(2).

¹⁴ See tariff advice letter for TA343-13, at page 4.

¹⁵ See side-by-side Tariff Sheet No. 39, attached as JD-1, at section (c)(4).

¹⁶ The total projected costs include the balancing account balance. See side-by-side Tariff Sheet No. 39, attached as JD-1, at section (c)(3).

¹⁷ 3 AAC 52.504(b) states that an electric utility may implement a COPA filing that does not include a new methodology or cost element immediately upon filing with the Commission, although the COPA filing is subject to subsequent review, adjustment, and approval by the Commission.

TABLE 2

Schedule No. QF-1 - Calculation of Avoided Cost Rate				
Line	Description	Current Amount	Proposed Amount	Change
1	Fuel + Variable O&M + Energy Portion of Purchase Power expenses less costs associated with generation that is not avoided by virtue of purchases from a QF	\$ 6,937,134	\$ 7,794,342	
2	Estimated kWh sales for the next 3-month period less sales associated with generation that is not avoided by virtue of purchases from a QF.	70,440,000	57,464,640	
3	QF-1 Purchase Rate	<u>\$ 0.09848</u>	<u>\$ 0.13564</u>	\$ 0.03715

GVEA proposes a SFPPR of \$0.13564/kWh, an increase from the currently approved SFPPR of \$0.09848/kWh.¹⁸ Staff confirmed that the proposed SFPPR was calculated accurately, using GVEA's approved methodology, and the tariff sheet is correct. Therefore, Staff recommends the Commission approve Tariff Sheet No. 40.

CONCLUSION

With TA343-13, GVEA requests approval of its revised COPA and SFPPR for the period beginning March 1, 2021. Staff has verified the proposed surcharge and rate were calculated accurately using GVEA's approved methodology, the proper support was filed, and the tariff sheets are correct. Therefore, Staff recommends the Commission approve Tariff Sheet Nos. 39 and 40, filed February 26, 2021, by GVEA with TA343-13. The effective date of the tariff sheets should be March 1, 2021.

Signature: 
Email: bob.pickett@alaska.gov

Signature: 
 Keith Kurber II (Apr 15, 2021 09:29 AKDT)
Email: keith.kurber@alaska.gov

Signature: 
Email: antony.scott@alaska.gov

Signature: 
 Daniel Sullivan (Apr 15, 2021 10:33 AKDT)
Email: daniel.sullivan@alaska.gov

Signature: 
 Janis W. Wilson (Apr 15, 2021 16:33 AKDT)
Email: janis.wilson@alaska.gov

¹⁸ GVEA's SFPPR applies to QFs with nameplate capacity of 100 KW or less. See side-by-side Tariff Sheet No. 40, attached as JD-1.

RCA NO. 13 Hundred-Fifty-Sixth Revision
Canceling: Hundred-Fifty-Fifth Revision

Sheet No. 39
Sheet No. 39

RECEIVED
NOV 25 2020

STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

COST OF POWER ADJUSTMENT CLAUSE

(c) Determination of Cost of Power Adjustment¹:

(1) Current cost of fuel and purchased power requirement:*

Base Supply Contracts	Estimated Quantities* (A)	Effective Cost Per Unit ** (B)	Total * (A x B)
a) Coal	1,684,608 MMBTU	\$3.8242367 \$/MMBTU	\$6,442,340 I
b) Oil	8,566,503 gal	\$1.247312 \$/gal	\$10,685,105 R
c) Purchase Power			
AMLPL	0 kWh	0.000000 \$/kWh	\$0
CHUGACH	16,185,000 kWh	0.089000 \$/kWh	\$1,440,465 I
BRADLEY	23,846,000 kWh	0.069267 \$/kWh	\$1,649,838 I
HEA	0 kWh	0.000000 \$/kWh	\$0 R
MEA	0 kWh	0.000000 \$/kWh	\$0 R
AURORA	51,840,000 kWh	0.088370 \$/kWh	\$4,581,101 I
SUBTOTAL	91,871,000 kWh	0.083502 \$/kWh	\$7,671,404 I
d) TOTAL			\$24,798,849 R
(2) Estimated cost of power balancing account general ledger balance as of November 30, 2020			\$1,877,085 R, T
(2a) Actual cost of power balancing account general ledger balance as of August 31, 2020 =			T
as of September 30, 2020 =			T
as of October 31, 2020 =			T
(3) Total of (1) and (2) above			\$26,675,934 R
(4) Estimated 3 months kWh sales			326,438,400 I
(5) Weighted average cost per kWh (3/4) (fuel plus purchase power)			\$0.08172 R
(6) Cost per kWh base rate			\$0.00000
(7) Cost of Power Adjustment (5 - 6)			\$0.08172 R

* For a 3-month period beginning December 1, 2020

** Effective unit costs are rounded

¹ The Cost of Power Adjustment is referred to as the Fuel and Purchased Power charge on the member's monthly bill.

Tariff Advice No. TA 341-13 Effective: December 1, 2020

Issued by: Golden Valley Electric Association, Inc.

By: Monica Grassi for
John J. Burns

Title: President and CEO

RCA NO. 13 Hundred-Fifty-Seventh Revision
Canceling: Hundred-Fifty-Sixth Revision

Sheet No. 39
Sheet No. 39



GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

COST OF POWER ADJUSTMENT CLAUSE

(c) Determination of Cost of Power Adjustment¹:

(1) Current cost of fuel and purchased power requirement:*

Base Supply Contracts	Estimated Quantities* (A)	Effective Cost Per Unit ** (B)	Total * (A x B)
a) Coal	1,535,834 MMBTU	\$4.6772258 \$/MMBTU	\$7,183,442 I
b) Oil	7,121,260 gal	\$1.638424 \$/gal	\$11,667,645 I
c) Purchase Power			
AMLPL	0 kWh	0.000000 \$/kWh	\$0
CHUGACH	15,403,500 kWh	0.100000 \$/kWh	\$1,540,350 I
BRADLEY	14,772,000 kWh	0.066460 \$/kWh	\$981,748 R
HEA	7,701,750 kWh	0.100000 \$/kWh	\$770,175 I
MEA	7,701,750 kWh	0.100000 \$/kWh	\$770,175 I
AURORA	40,752,000 kWh	0.089936 \$/kWh	\$3,665,071 R
SUBTOTAL	86,331,000 kWh	0.089510 \$/kWh	\$7,727,519 I
d) TOTAL			\$26,578,606 I
(2) Estimated cost of power balancing account general ledger balance as of February 28, 2021			\$1,720,318 R, T
(2a) Actual cost of power balancing account general ledger balance as of November 30, 2020 =			T
as of December 31, 2020 =			T
as of January 31, 2021 =			T
(3) Total of (1) and (2) above			\$28,298,924 I
(4) Estimated 3 months kWh sales			293,112,000 R
(5) Weighted average cost per kWh (3/4) (fuel plus purchase power)			\$0.09655 I
(6) Cost per kWh base rate			\$0.00000
(7) Cost of Power Adjustment (5 - 6)			\$0.09655 I

* For a 3-month period beginning March 1, 2021

** Effective unit costs are rounded

¹ The Cost of Power Adjustment is referred to as the Fuel and Purchased Power charge on the member's monthly bill.

Tariff Advice No. TA 343-13 Effective: March 1, 2021

Issued by: Golden Valley Electric Association, Inc.

By: Abbigail Dillard for
John J. Burns

Title: President and CEO

RCA NO. 13 Hundred-Fifty-Fourth Revision Sheet No. 40
Canceling: Hundred-Fifty-Third Revision Sheet No. 40

RECEIVED
NOV 25 2020

STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

SCHEDULE NO. QF-1
PURCHASE AND SALE RATES FOR QUALIFIED
COGENERATION AND SMALL POWER PRODUCTION FACILITIES

Available:

This schedule is available in all GVEA service areas and applicable to qualified cogeneration and small power production facilities of 100 KW or less (Facility).

Service Description:

Service shall be single or three phase 60 hertz alternating current at the standard voltages and phase of GVEA's established distribution system most available to the location of the Facility.

Due to safety concerns, GVEA will normally limit the number of customers receiving service under the terms of this schedule to one per substation circuit, however, this limitation shall not apply if adequate safety can be demonstrated without applying the limitation. Any dispute in this regard between GVEA and a customer seeking service under this schedule may be resolved through the Regulatory Commission of Alaska's dispute procedure upon filing by either party.

Rates:

Power supplied by GVEA to the customer in order to meet its electric requirements will be priced at the applicable retail rates.

The rate to be paid by GVEA to the Qualified Cogenerator or Small Power Producer for kWh supplied to GVEA by the Facility is the avoided energy cost as approved by the Commission.

The current QF-1 Purchase rate is:

\$0.09848 per kWh R

The Avoided Cost Rate is calculated for Schedule No. QF-1, pursuant to 3 AAC 50.770(i), as follows:

(1) Fuel + Variable Operating & Maintenance Costs + Energy Portion of Purchase Power expenses less costs associated with generation that is not avoided by virtue of purchases from a QF.	\$6,937,134	R
(2) Estimated kWh sales for the next 3-month period less sales associated with generation that is not avoided by virtue of purchases from a QF.	70,440,000	R
QF-1 Purchase rate [(1) / (2)]	\$0.09848	R

Tariff Advice No. TA 341-13 Effective: December 1, 2020

Issued by: Golden Valley Electric Association, Inc.

By: Monica Grassi for Title: President and CEO
John J. Burns

RCA NO. 13 Hundred-Fifty-Fifth Revision Sheet No. 40
Canceling: Hundred-Fifty-Fourth Revision Sheet No. 40



GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

SCHEDULE NO. QF-1
PURCHASE AND SALE RATES FOR QUALIFIED
COGENERATION AND SMALL POWER PRODUCTION FACILITIES

Available:

This schedule is available in all GVEA service areas and applicable to qualified cogeneration and small power production facilities of 100 KW or less (Facility).

Service Description:

Service shall be single or three phase 60 hertz alternating current at the standard voltages and phase of GVEA's established distribution system most available to the location of the Facility.

Due to safety concerns, GVEA will normally limit the number of customers receiving service under the terms of this schedule to one per substation circuit, however, this limitation shall not apply if adequate safety can be demonstrated without applying the limitation. Any dispute in this regard between GVEA and a customer seeking service under this schedule may be resolved through the Regulatory Commission of Alaska's dispute procedure upon filing by either party.

Rates:

Power supplied by GVEA to the customer in order to meet its electric requirements will be priced at the applicable retail rates.

The rate to be paid by GVEA to the Qualified Cogenerator or Small Power Producer for kWh supplied to GVEA by the Facility is the avoided energy cost as approved by the Commission.

The current QF-1 Purchase rate is:

\$0.13564 per kWh I

The Avoided Cost Rate is calculated for Schedule No. QF-1, pursuant to 3 AAC 50.770(i), as follows:

(1) Fuel + Variable Operating & Maintenance Costs + Energy Portion of Purchase Power expenses less costs associated with generation that is not avoided by virtue of purchases from a QF.	\$7,794,342	I
(2) Estimated kWh sales for the next 3-month period less sales associated with generation that is not avoided by virtue of purchases from a QF.	57,464,640	R
QF-1 Purchase rate [(1) / (2)]	\$0.13564	I

Tariff Advice No. TA 343-13 Effective: March 1, 2021

Issued by: Golden Valley Electric Association, Inc.

By: Abigail Dillard for Title: President and CEO
John J. Burns